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PICTET WEALTH MANAGEMENT 2022

Pictet Wealth Management

Active Ownership Report

Contents

Our purpose is to build responsible partnerships with our clients, colleagues, communities, and the companies in which we invest, to safeguard and transmit wealth, of all kinds, in the service of the real economy.

Who we are

Pictet is an investment-led service company offering wealth management, asset management and related services. Founded in Geneva in 1805, the Pictet Group has more than 5,000 employees in 30 offices around the world. We are privately owned and managed by 8 partners.

At Pictet Wealth Management (PWM), we currently oversee more than CHF240 billion of investments across a range of equity, fixed income, alternative and multi-asset products.

Our purpose is to build responsible partnerships with our clients, colleagues, communities, and the companies in which we invest, to safeguard and transmit wealth, of all kinds, in the service of the real economy.

Our business is centred around a long-term perspective with a dedication to client service. We believe in responsible capitalism and take an enlarged view of the economy and its interactions with civil society and the natural environment.

We are convinced that incorporating Environmental, Social and Governance (ESG) considerations can help us make better long-term investment decisions for our clients. We are committed to integrating material ESG criteria in our investment processes and ownership practices with a view to delivering value to client portfolios and/or mitigating risks over the long term.

Responsible Investment at Pictet Wealth Management

Our mission has always been to partner with our clients in sustaining and building their wealth over multiple generations. With wealth comes responsibility and long-term thinking.

This responsibility inherently includes the preservation and improvement of the world that our future generations will inherit. A rich life is one with not only financial means, but also family, health, security, and stability, and we must ensure that future generations can enjoy life's richness tomorrow as we do today.

> "The impact of our investment decisions extends beyond our portfolios, and we must therefore be deliberate in our choices."

At Pictet, the implementation of the group's strategic responsible vision is translated into three ambitions by 2025: significantly reduce the environmental impact of our activities and investments (namely through Pictet's Climate Action Plan), integrate ESG considerations across investment processes and risk management and, offer more responsible investment solutions to our clients.

PICTET CLIMATE ACTION PLAN *(link)*

Beyond the impact of climate change for the planet and our society, climate change presents a financial risk that will affect all our assets. It is our fiduciary responsibility to play an active role in reducing global emissions in line with science. Given the magnitude of our financed emissions through our investments, we must help accelerate the transition of the global economy towards net-zero emissions in line with 1.5°C. We also have a direct responsibility to reduce our carbon footprint.

INTEGRATION OF ESG CONSIDERATIONS INTO THE INVESTMENT PROCESS

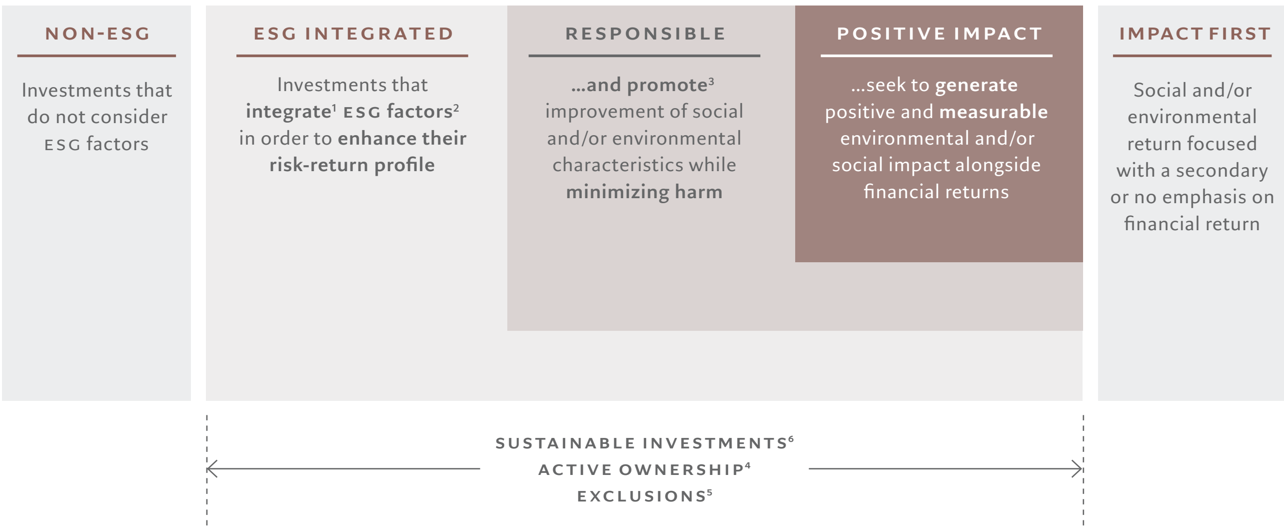
We believe companies pursuing more sustainable business practices are more likely to thrive in the long term. This is because these companies are well positioned to identify, understand, and manage longer-term challenges, be they economic, social, environmental, or regulatory in nature. Integrating ESG considerations is not only the right thing to do; it also adds value to clients' portfolios in the long term.

Across research, investment decisions, risk management and advisory services, we emphasise the inclusion of high-quality ESG data when evaluating corporate and sovereign issuers. As such, and specifically to inform investment decisions and active ownership activities, we have developed a proprietary ESG Portal, which provides a focused view of ESG risks and opportunities.

RESPONSIBLE INVESTMENT SOLUTIONS

While we aim to integrate ESG considerations throughout all our investment solutions, we have developed a series of dedicated Responsible Investment solutions that go beyond this, to specifically promote environmental and social characteristics or target activities that contribute to environmental and/or social objectives. These solutions capture the differing needs and time horizons of our clients, both in our discretionary and advisory offerings.

FIGURE 1
Responsible Investment Strategies at Pictet Wealth Management



1 ESG integration includes: ESG data availability, a defined framework, ESG data usage in investment process, monitoring and disclosure of ESG role in investment process
2 ESG Factors: ESG data (indicating both risks and opportunities), including sustainability risks and Principal Adverse Impacts where relevant (see here for definitions)
3 Promote E/S characteristics: Seeking to increase exposure to issuers with low risks / high opportunities while decreasing/avoiding exposure to issuers with high risks / low opportunities (where applicable), exclusion framework applies, issuers with good governance in place, and active ownership carried out (where feasible)
4 Active Ownership: Proxy voting at shareholder meetings, and engagement with issuers and third party fund managers on priority themes (climate, water, nutrition, long-termism) and other material ESG issues
5 Exclusions: Please refer to the RI policies for details on the activities (links – PWM)
6 Sustainable investments (S.I.): an investment in an economic activity that contributes to an Environmental or Social objective as defined by Pictet, which might be aligned with the EU taxonomy (a classification system created by the European Parliament & Council, that establishes a list of environmentally sustainable economic activities). Measurement methodologies can vary, but often include the % revenue contribution of the activity, given it abides by the do-no-significant-harm principle. Positive impact strategies target a % of Sustainable Investments, ESG Integrated and Responsible could have zero Sustainable Investments

ACTIVE OWNERSHIP

Pictet Wealth Management is among the first wealth managers to actively vote and engage on behalf of clients. By integrating active ownership into our investment process, we foster long-term value creation and sustainable business practices.

The overarching purpose of our proxy voting, and engagement activities is to protect and promote the long-term interests of our clients as shareholders. We consider it our responsibility to engage with companies' management to ensure that their businesses are well-run, adhere to their strategy and deliver shareholder value. PWM aims to support a strong culture of corporate governance, effective management of environmental and social issues and comprehensive reporting according to recognised standards.

Being an active owner allows PWM not only to define expectations for business performance, but also to catalyse change when needed, the effectiveness of which has been demonstrated by academic research[1]. Where possible, we vote at the annual general meetings (AGM) of companies we engage with, using voting as an additional lever in engagement dialogues.

On an international level, stewardship principles and practices[2] are rapidly evolving and are being adopted and implemented in numerous markets around the world[3]. In many countries, the development of stewardship codes for investors complements a similar development of codes of corporate governance for companies[4]. We review those principles, practices and codes and regularly revise our own voting guidelines to ensure we are always up to speed with best practices in the industry.

1 See ESG factors and equity returns – a review of recent industry research from Principles for Responsible Investment: https://www.unpri.org/pri-blog/esg-factors-and-equity-returns-a-review-of-recent-industry-research/7867.article

2 See: International Corporate Governance Network (ICGN) Global Stewardship Principles, 2020: https://www.icgn.org/policy/stewardship

3 All global stewardship codes are publicly available on the ICGN Website, https://www.icgn.org/networks/global-stewardship-codes-network, e.g.UK Stewardship Code, Singapore Stewardship Principles, EFAMA Stewardship Code, Japanese Stewardship Code, Canadian Stewardship Code, Hong Kong Principles of Responsible Ownership, Netherlands Stewardship Code, US Stewardship Framework for Institutional Investors.

4 See: ICGN Guidance on Global Governance Principles, https://www.icgn.org/policy/icgn-guidance, for example also: US Corporate Governance Framework from US Listed Companies, UK Corporate Governance Code, EU Share-holder Rights Directive II (SRD II) intending to improve corporate governance standards for issuers registered within the European Economic Area (EEA). Also see the Swiss Stewardship Code launched in October 2023: https://www.sustainablefinance.ch/api/rm/5A7ME29CD6M925N/2023-10-04-swiss-stewardship-code-final.pdf

Proxy Voting

VOTING SCOPE IN 2022

In 2022, PWM voted on CHF9.6 bn in Assets under Management, which accounts for 45% of equities (91 companies) held directly in our discretionary mandates[5] and Pictet Equity Certificates and PWM Private Funds[6], held at the following entities[7]:

- Banque Pictet & Cie SA
- Pictet & Cie (Europe) S.A.[8]
- Pictet Bank & Trust Limited

VOTING PROCESS

The PWM ESG team coordinates the overall voting process, from defining the scope (which companies we will vote on), to analysing the AGMs agenda and gathering relevant information, to syndicating the decision process with relevant stakeholders internally, materially cast the vote and periodically report.

To keep an agenda of all AGMs, PWM enlists the services of a proxy voting advisor[9], who provides support not only with the calendar, but also with basic research implications of each resolution, and first-level recommendations based on our own voting guidelines.

The ESG team works with the relevant financial analyst(s) or portfolio managers, reconcile our in-house research with the proxy voting advisor's recommendations to decide how PWM should vote on portfolio holdings. If a consensus between the responsible stakeholders cannot be reached, the decision is escalated to the Chief Investment Officer, who takes the final decision.

PWM consults a variety of research sources, in addition to the proxy research covering the specific agenda items of shareholders' meetings. The degree to which voting recommendations from the proxy voting advisor are followed is assessed on a case-by-case basis. PWM does not see the use of a proxy voting advisor as a substitute for its responsibility to ensure that votes are cast in an informed and responsible manner.

VOTING GUIDELINES

In 2022, PWM defined voting guidelines aligned with our Responsible Investing Policy. The guidelines aim to create consistency in voting activities undertaken on behalf of our clients, by identifying best practices across a defined number of recurring AGM topics. Nevertheless, PWM continues voting at AGMs on a case-by-case basis and ensure we fully represent the best interests of our clients in both our voting and engagement activities.

5 Please note that for the time being, we only vote in non-disclosure markets. Due to disclosure regulation, we cannot vote on behalf of private clients in most European countries, because we cannot disclose shareholder information without the client's consent. Currently, we can only vote in European countries on the equity holdings in PWM Private Funds and Pictet Equity Certificates.

6 Private fund structures created by Pictet and for which Pictet provides administration, governance, and custodian services.

7 Please note that Pictet & Cie (Europe) S.A. Hong Kong Branch and Banque Pictet & Cie (Asia) Ltd have not authorised the implicit consent to allow us to vote on behalf of our clients. Accordingly, an explicit client consent is required for those entities to exercise voting on a client's behalf, following the PWM Voting Guidelines. Therefore in 2022, we did not vote on equity holdings at these entities.

8 Pictet & Cie (Europe) S.A., the European bank of the Pictet Group, has relocated its registered office and its headquarters to Frankfurt am Main, Germany, by way of a cross-border conversion. The German entity operates under the name of Bank Pictet & Cie (Europe) AG since 26 May 2023.

9 Institutional Shareholder Solutions (ISS). https://www.issgovernance.com/file/products/brochure-gov-proxy-voting-services.pdf

Our voting guidelines are based on recognised and dynamic corporate governance standards and focus on long-term value creation. They are reviewed annually, as we regularly monitor the consistency of our voting decisions with laws and governance codes, as well as client-specific requests.

The PWM Voting Guidelines are articulated around six themes, here below a non-exhaustive overview of key guidelines:

1 – Board & Management

Leadership & independence

Board committees constitute a critical element of the soundness of a company's corporate governance structure and as such, we expect these committees to be fully comprised of non-executive directors with relevant expertise and sufficient levels of independence.

> "Our voting guidelines are reviewed annually, as we regularly monitor the consistency of our voting precisions with laws and governance codes, as well as client-specific requests."

We consider regional challenges to ensure that our independence thresholds are meaningful, and do not penalise companies incorporated in countries that may have specific set-ups that make it more complicated to reach the desirable outcomes.

We also consider specific leadership & independence guidelines for family-owned businesses[10], to reflect the realities of their ownership structure.

Size & diversity

We believe that boards should be large enough to accommodate diversity, expertise, and independence, yet small enough to maintain active collaboration and participation.

On the topic of diversity, we expect companies to have appointed at least one woman and recommend a significant number of women on their boards, and to comply with the gender diversity quotas in their respective markets. We also encourage companies to have dispersion of age at the board level, with younger than average board members to have relevant experience (at industry and leadership levels).

10 We define family companies as those where one individual or party controls more than 30% of the economic or voting rights.

2 – Remuneration
Our philosophy is not to judge the quantum: we do expect companies to define a clear remuneration structure, with sufficient transparency, to allow investors to assess the alignment with the performance of the company, and a strong focus on long-term value creation.

We encourage companies to be fully transparent on the mechanism of pay, including transparency on the key performance indicators (KPIs), weights and targets, and award opportunities of their remuneration plans. We appreciate a good balance of pay indicators to avoid over reliance on a single metric, which could be too reductive to assess the full complexity of a business, and we welcome the use of KPIs that are mostly relevant to the core business, with challenging targets.

"We encourage companies to integrate only the most material ESG factors into their remuneration, with clear targets and performance against them."

Finally, we strongly encourage the integration of ESG factors to pay and encourage companies to integrate only the most material ESG factors into their remuneration, with clear targets and performance against them.

3 – Risk control & reporting
We believe that a company's auditors should be independent and consider both their audit and non-audit fees as well as their tenures. We recommend assessing auditor tenure on a case-by-case basis, considering average tenure at both market and industry levels, and the possible occurrence of controversies tied to audit practices.

4 – Investors' Rights
We favour a capital structure where one share equates to one vote. Boards should provide strong arguments to justify the introduction or maintenance of equity shares with special voting rights, golden shares, or other split capital structures.

5 – ESG-related resolutions

We expect companies to identify and manage material environmental and social matters that affect their businesses in a responsible manner, as well as manage their relationships with all their key stakeholders.

Climate change is one of the most important risks facing the world today. It impacts the very nature of major industries, and as such must be high on the agenda of all companies. We seek to promote improved climate change related corporate practices. As such, we expect:

- Reliable and third-party verified data on greenhous gas emissions (scope 1, 2 & 3).
- The commitment to reduce greenhouse gas emissions in alignment with science-based targets, and consistent policies in place (including scope 3).
- The ability to meet potential regulation on climate change e.g., disclosure of emissions and climate risks, via the management of their energy mix (energy generation from fossil fuels, renewables, nuclear & others).
- Regular oversight on climate change at the board level.

In addition, in the most carbon-intensive industries, we encourage:

- The public assessment of the impacts of climate-related risks & opportunities, including scenario analyses.
- Strategies to phase out the use of coal-fuelled power generation, including stopping development of new coal-fired power plants.
- Strategies to gradually phase out oil & gas production and power generation, including stopping exploration & expansion activities, as well as the development of oil & gas power plants.

6 – Shareholder resolutions

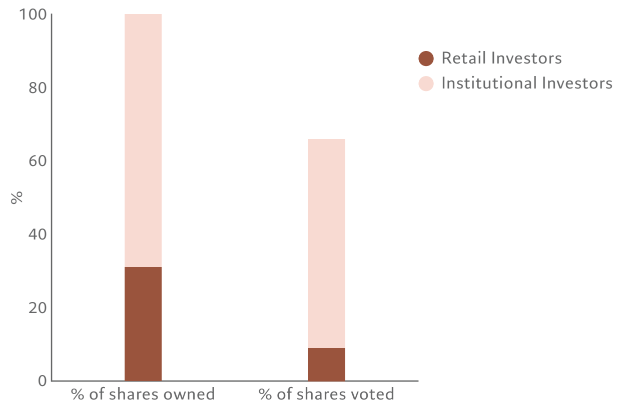
For shareholder resolutions, we apply a case-by-case approach, specifically where shareholders ask companies to implement, create or change a practice.

TRENDS AND EMERGING PRACTICES OF THE 2022 AGM SEASON

The 2022 proxy season was noteworthy for the overall year-over-year decline in investor support for directors, say-on-pay, as well as shareholder proposals, although the number of shareholder proposals reached an all-time high. Overall, shareholder activism was on the rise across regions.

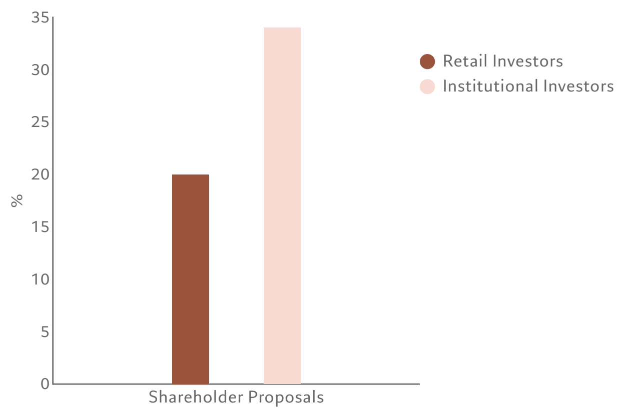
Although a greater number of retail shareholders participated in the proxy season compared to the previous year, their voting participation remained relatively low compared to that of institutional shareholders. As a group, retail investors owned 31% of the shares, but they voted just 29% of their shares owned. By contrast, institutional investors voted 82% of their shares. There is also a significant gap in voting sentiment between retail investors and institutional investors, specifically on shareholder proposals, where retail investors cast 20% of their votes in favour, compared to 36% for institutional ones[11].

Percentage of shares owned and voted



Source: Pictet Wealth Management, as of December 2022

Shareholder Proposals: Percentage of Votes in Favour



Source: Pictet Wealth Management, as of December 2022

11 https://www.broadridge.com/_assets/pdf/broadridge-2023-proxypulse-report.pdf

Another important trend to highlight is the emergence of solutions related to "Pass-Through" voting[12]. Pass-through voting is the practice of asset managers asking their investors how to vote proxies on the underlying equities in a specific fund. Retail and institutional investors can vote in proportion to their holdings. Additionally, funds can poll retail investors to learn their preferences. As the growth of passively managed index funds, ETFs, and mutual funds, resulted in many investors having no ability to vote the underlying securities in proxy matters, pass-through voting provides these investors a voice during proxy season. Although pass-through voting remained limited to few asset managers and funds in the 2022 proxy season, the opportunity to expand this access exponentially is certainly part of the future of proxy voting[13].

Shareholder activism and ESG-focused campaigns

Following on from the 2021 AGM season, there has been a record number of corporate shareholder votes on resolutions focused on ESG issues in 2022, particularly in the US and Europe[14]. The number of ESG-related resolutions filed by investors and proxies on the 3'000 companies of the Russel 3000 index in the US hit an all-time high of 567, up from 499 the previous year (which was also a record)[15].That number includes 68 resolutions specifically addressing emissions, double the number filed in 2021[16].

Overall, climate disclosure and transition strategies were top of shareholders' priorities, followed by transparency on diversity and pay disparities, political lobbying, union rights, and human rights[17]. In the US, shareholders targeted a broad range of societal issues[18], highlighting the growing demand for companies to address the perceived shortcomings of public policies.

The extractive industry was once again the centre of attention, as a global shareholder campaign[19] targeted some of the largest oil & gas companies, requesting the adoption of science-based targets aligned with the mitigation and adaptation goals of the Paris agreement[20] i.e., to hold the global average temperature increase to well below 2°C above preindustrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Most of these shareholder proposals focused explicitly on the extension of reduction targets to Scope 3 emissions and the alignment with the International Energy Agency's Net Zero scenario.

12 See: https://www.prnewswire.com/news-releases/pass-through-voting-enabling-democratization-of-investing-new-broadridge-report-shows-301821557.html

13 See: https://www.cnbc.com/2022/03/01/a-blackrock-shareholder-vote-that-may-control-future-proxy-battles.html

14 Source: https://www.proxypreview.org/press-release

15 Source: https://connect.sustainalytics.com/hubfs/SCS/Ebooks/AGM%20eBook/MS_Meeting_Investor_Expectations_Ebook_Final.pdf

16 Source: https://corpgov.law.harvard.edu/2022/10/23/a-look-back-at-the-2022-proxy-season/

17 Source: https://www.unpri.org/pri-blog/the-2022-agm-season-which-esg-issues-have-shareholders-targeted/10271.article

18 See for example: https://ucfunds.org/hca-shareholder-proposal/

19 Source: https://www.follow-this.org/resolutions-2022/

20 Source: https://www.climateaction100.org/news/as-2022-proxy-season-begins-record-numbers-of-climate-resolutions-and-agreements-bode-well-for-action/

The financial industry was also under the spotlight, as shareholder groups challenged its role in financing the transition to a net-zero economy, specifically the misalignment between the industry's exposure and funding of fossil fuel assets and its long-term emission-reduction commitments[21].

The upward trend of shareholder activism in 2022 was also comprised of the so-called "anti-ESG" movement. More than 50 shareholder proposals critical of corporate ESG initiatives & commitments were filed at major US companies (twice as many as in 2021[22]). The organisations[23] leading this movement seek to interfere with the headway achieved by sustainable investment advocates, specifically on climate and societal issues (diversity, lobbying expenditures)[24].

Supporting and/or challenging ESG proposals

The overall intensification of shareholder activism, coupled with the push of several regulators on sustainability matters[25], has resulted in companies' management proactively submitting ESG-related proposals to shareholders. In 2022, this phenomenon was exemplified by the high number of "Say on Climate" proposals[26], with nearly 50 such proposals submitted to shareholders. These proposals of an advisory nature cover companies' climate transition plans and progress updates, as well as climate-related financial disclosures. In Europe, the 2022 AGM season saw at more than three times as many board-proposed Say on Climate votes than the 2021 AGM season[27].

These timebound action plans outline how an organisation will achieve its strategy to pivot its business model[28] and their quality is tied to their alignment to the latest and most ambitious climate science recommendations[29]. Unsurprisingly, companies operating in the most energy-intensive sectors (Energy and Utilities) have submitted 30% of such proposals in 2022[30].

When voting on Say on Climate proposals, investors are asked to assess if the strategy is designed to drive a company's transition is aligned to the realities of a net-zero economy[31]. Voting for a transition plan means that it is regarded as ambitious and transparent enough to put the company on track with the requirements set by international climate agreements. Not supporting – i.e. voting against or abstaining – such a proposal indicates that the transition plan lacks scope, depth, and/or transparency/granularity, and does not allow for the company to align with a 1.5°C temperature rise scenario.

21 See for example: https://shareaction.org/reports/letter-to-the-board-of-hsbc-on-its-climate-commitments

22 Source: https://www.politico.com/newsletters/the-long-game/2022/06/10/conservative-shareholders-strike-back-00038806

23 See for example the National Legal and Policy Center: https://nlpc.org/

24 See for example: https://www.proxypreview.org/contributor-articles-2023/republican-efforts-to-limit-esg-investing-are-anti-capitalist

25 See: https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

26 Launched in 2020, the Say on Climate initiative encourages companies to consult shareholders about their climate strategies and net zero action plans at annual general meetings. See: https://sayonclimate.org/

27 Source: https://content-downloads.computershare.com/eh96rkuu9740/5HrK8Mgj1t802QKWSSF0z7/b5806d11f29cfdf6c9c1d02ea5451c2c/Georgeson-2022-European-AGM-Season-Review.pdf

28 Source: https://www.isscorporatesolutions.com/file/documents/ics-the-rise-of-say-on-climate-proposals.pdf

29 See: https://www.msci.com/research-and-insights/insights-gallery/shareholders-say-on-climate

30 Source: https://www.bnpparibas-am.com/

31 See: https://about.amundi.com/article/say-climate-2022-approach

Other reasons can include the lack of third-party validation of the plans' targets and the failure to commit to annual votes or the absence of clarity regarding the recurrence of votes on the transition plan. Shareholders should follow up with a targeted engagement dialogue when they do not support Say on Climate proposals, to explain their rationale and to lay out their expectations.

In 2022, out of 10 large emitting high-profile companies that submitted their Climate Transition Plans to shareholders, the average support was 79%, ranging from 51% to 97%[32]. Year-over-year, the support for such proposals decreased overall, from more than 95% in 2021 to less than 90% in 2022[33]. The lower approval rates year-over-year reflect the quality of the climate transition plans put to vote, where companies with emission trajectories aligned with the Paris Agreement were joined the following year by companies with less-aligned paths[34]. Only a minority of companies having submitted such proposals has yet committed to doing so on an annual basis[35], which is not optimal for tracking progress.

The 2022 AGM season was characterised by a higher proclivity from investors to support managements than to support shareholder proposals[36], even when most shareholder proposals are advisory in nature[37]. Environmental-focused shareholder proposals received no more than 25% shareholder support on average, while those focused on social matters (racial equity and civil rights, gender pay equity, labour issues) obtained less than 20% support[38]. This state of fact can be explained by the language put forth in these proposals being seen as overly prescriptive or not clearly crafted. The significant increase of the number of shareholder proposals represents a challenge for investors, forcing them to explore and build expertise on a wider area of issues and go beyond a one-size-fits-all approach to ESG-focused proposals.

Finally, the year 2022 was marked by heightened geopolitical tensions. The pressure exerted on energy markets resulted in energy companies assuming a role in ensuring energy security, and – as a consequence of higher prices and record profits – an increased responsibility to deliver on their climate commitments.

32 Support (%) for Say on Climate proposals in 2022: Santos Limited: 60%, Glencore: 76%, Royal Dutch Shell: 77%, Repsol: 83%, Equinor: 97%, BP: 86%, Woodside Energy: 51%, TotalEnergies: 84%, Rio Tinto: 82%, South32: 90%.

33 Source: https://www.iss-corporate.com/file/documents/ics-the-rise-of-say-on-climate-proposals.pdf

34 Source: https://www.unpri.org/stewardship/climate-transition-plan-votes-investor-update/10815.article

35 Source: https://viewpoint.bnpparibas-am.com/say-on-climate-voting-losing-steam-or-set-for-a-rebound/

36 Source: https://www.broadridge.com/_assets/pdf/broadridge-2023-proxypulse-report.pdf

37 Source: https://www.glasslewis.com/what-to-watch-for-this-proxy-season-say-on-climate/

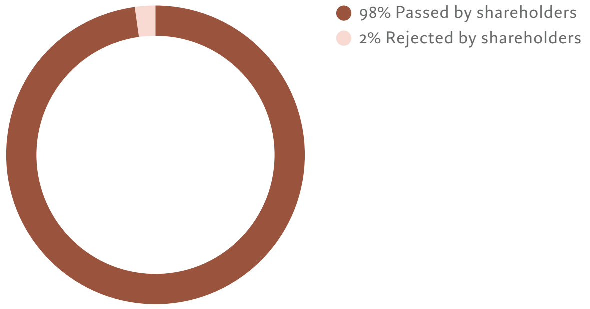
38 Source: https://corpgov.law.harvard.edu/2022/10/23/a-look-back-at-the-2022-proxy-season/

PWM 2022 VOTING ACTIVITIES

Summary

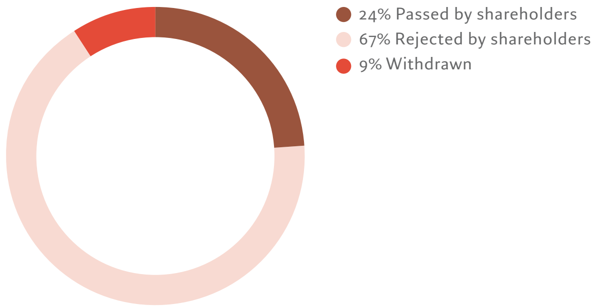
In 2022, PWM voted at 91 Annual General Meetings on a total of 1,566 resolutions (1,418 proposed by management and 148 proposed by shareholders). Of the 1,394 resolutions that we supported, 1,365 (98%) were passed by shareholders at the AGM. Of the 172 resolutions that we did not support, 116 (67%) were rejected by shareholders at the AGM. Of the AGMs that we voted in, we voted at least once against management in 60% of them.

Resolutions supported by PWM
Total: 1394



Source: Pictet Wealth Management, as of December 2022

Resolutions not supported by PWM
Total: 172

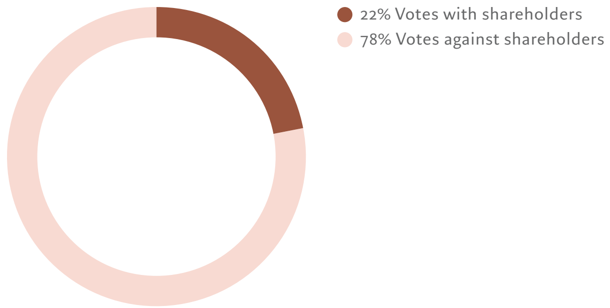


Source: Pictet Wealth Management, as of December 2022

Our approach to voting is articulated around the implementation of a case-by-case assessment of each voting item. Our selective approach to voting allows us to support shareholder proposals where we deem appropriate.

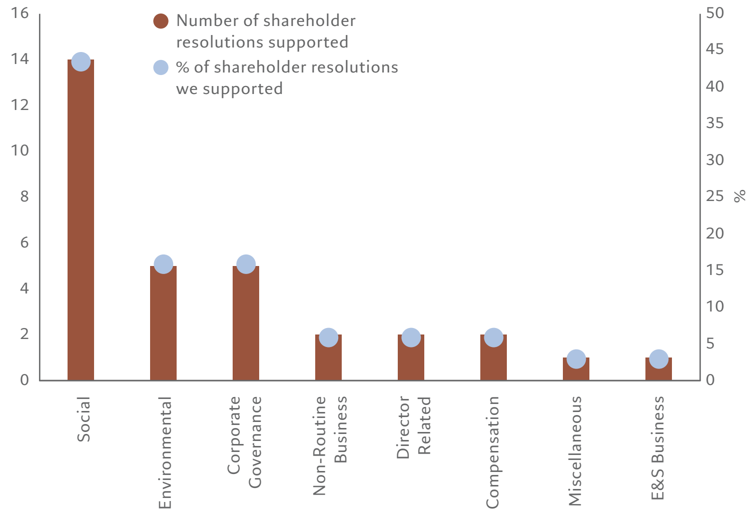
In practice, PWM voted against the board on a small minority of occasions – about 5% of the time in 2022. However, we have denied support to management-led proposals on several strategic occasions. We also supported the shareholder resolutions displaying clear and detailed rationales, aligned with long-term value creation. We specifically supported those, which integrated industry-specific criteria and sought to enhance the scope of existing strategies and/or targets (please refer to the below examples for further details).

Breakdown of votes – Shareholder resolutions
Total: 148



Source: Pictet Wealth Management, as of December 2022

Breakdown of shareholder resolutions supported
Total: 32



Source: Pictet Wealth Management, as of December 2022

Finally, it is worth highlighting that it is best practice for board members to engage with proponents of shareholder proposals as a follow up to an AGM, even when proposals fail to reach a majority backing of voting investors. Board members are expected to build an understanding of stakeholders' expectations across a wide range of topics and assess their materiality for the company on both short and long-term perspectives. In the context of an ever-increasing number of shareholder proposals being submitted to investors, the ability of companies to grasp and implement their requests on an annual basis is being challenged by an ever-increasing number of stakeholders[39].

Voting examples of the 2022 voting season

1. Focus on Climate Change

The 2022 voting season saw the notable emergence of climate -focused proposals, at the initiative of both management and shareholders: companies keen to assess the buy-in of their investors on their climate strategies and shareholder activists willing to challenge these strategies.In line with Pictet's Climate Action Plan, our voting activities on climate change focused on a company's ability to set science-based targets validated by the Science-Based Targets initiative (SBTi)[40]. When assessing a company's climate or transition action plan, we consider peer practices and regulatory constraints.

As such, **we did not support 75%** of management climate-related proposals voted, by **either voting Against or Abstain**. The proposals we supported were based on SBTi-validated targets, while the ones we did not support were deemed insufficient in scope and/or granularity. We particularly focused on the risk of greenwashing associated with long-term net-zero strategies (2030/2050 targets) where the disclosed levers of action and their associated impact on existing emissions did not allow us to confidently assess how companies would deliver on their stated strategies.

All management-led climate-related proposals we voted -by either opposing or supporting them- did pass i.e., a majority of shareholders supported them.

We supported 66% of shareholder proposals challenging existing climate plans and their associated emissions reduction targets and/or requesting the submission of such plans and targets.

Out of the shareholder proposals we supported, 50% passed, two-thirds were supported by a majority of shareholders.

39 See for example: https://esgclarity.com/what-is-the-future-of-proxy-voting-and-esg/

40 See: https://sciencebasedtargets.org/how-it-works

We also supported several shareholder proposals incentivising further disclosure on climate-related corporate governance issues, including the integration of climate change performance metrics into executive compensation programmes, due diligence processes to identify risks from pollution, climate lobbying activities, and efforts to eliminate deforestation in the supply chain. Only 20% of these proposals managed to gather a majority support from shareholders.

It is worth noting that we witnessed a year-over-year decrease in support for shareholder proposals during the 2022 voting season, as less than 35% of them were supported by shareholders[41].

2. Focus on Corporate Governance: Remuneration and Shareholders' Rights

The 2022 voting season was also marked by shareholder defiance on remuneration-related topics. While resolutions relating to the remuneration of board directors and executives continue to be the most contested resolution type in Europe[42], the main issues highlighted by investors overall were transparency and the governance of remuneration policies.

When it comes to shareholders' rights, 2022 was marked by the significant number of shareholder proposals requesting reduced ownership thresholds for shareholders to call special meetings. While the recommended threshold for shareholders to call special meetings varies across markets[43], current best practices set the ownership threshold between 10 and 15%. We considered this threshold, as well as market and company practices, when assessing how to vote on each of these proposals.

The 2022 voting season also saw a steady number of shareholders asking for the approval of recapitalisation plans for all stocks to have one-vote per share. While a dual-class shareholder structure can represent an efficient protection for younger companies, its benefits for mature ones are debatable and represent a topic of dissent among common stockholders[44]. In line with the PWM Voting Guidelines, we supported proposals targeting such measures.

On remuneration-related voting items, we **supported 95%** of management proposals, **and 20%** of shareholder proposals on the matter.

On voting items related to shareholders' rights, we **supported 42%** of shareholder proposals requesting reduced ownership thresholds for shareholders to call special meetings, while **supporting 100%** of shareholder proposals requesting recapitalisation plans for all stocks to have one-vote per share.

41 See: https://www.broadridge.com/report/2024-proxy-season-preview-and-2023-proxy-season-highlights

42 See: https://corpgov.law.harvard.edu/2022/10/23/a-look-back-at-the-2022-proxy-season/

43 See: https://corpgov.law.harvard.edu/2015/08/13/special-meeting-proposals/

44 See: https://www.ecgi.global/sites/default/files/working_papers/documents/finalkimmichaely.pdf

3. Focus on societal issues

The emergence of a variety of societal issues on shareholders' agendas was, notable of the 2022 voting season, specifically in the US Several proposals targeting the gender pay gap, discrimination in the workplace and working conditions were submitted to shareholders, specifically requesting -additional- disclosure on identified controversial practices and reporting on progress on established strategies. We considered the company's performance and best practices identified at market level, when assessing how to vote on each of these proposals.

On societal-related items, including gender, diversity, civil rights, labour issues, and working conditions, we **supported 50%** of shareholder proposals in 2022.

"On societal-related items, including gender, diversity, civil rights, labour issues, and working conditions, **we supported 50%** of shareholder proposals in 2022."

For example, we supported a shareholder proposal which asked for the preparation of a report detailing policies and procedures used by a US technology company, to protect workers in its supply chain from forced labour. There had been allegations that the company's suppliers were involved in forced labour, which brought into question the effectiveness of their policies and procedures. We believe that putting such a report in place would mitigate the increased regulatory risk the company faces related to its supply chain, from laws that require documenting the efforts taken to minimise the risk of forced labour in supply chains as well as the congressional investigations into the issue.

An example of a shareholder proposal that we did not support was a proposal to a U.S. Technology company that was asked to prepare a report on hiring of persons with arrest or incarceration records. The company highlighted the fact that in 2021, 98% of the people flagged as having a criminal record went on to be hired. Therefore, we did not feel that this proposal was meaningful for the company and did not support it.

Engagement

Engagement involves a purposeful dialogue between investor and investee, with a specific and targeted objective to achieving change. At Pictet, we focus our engagement efforts on key issues where we believe we have both expertise and high exposure, and companies we are most likely to positively influence.

Pictet engagement guidelines are articulated around the below priority themes and angles, and High ESG Risk Activities.

Themes

	ANGLES
CLIMATE	1. Climate change mitigation 2. Deforestation & biodiversity
WATER	3. Water use and scarcity 4. Water pollution
NUTRITION	5. Health nutrition of products
LONG-TERM	6. Long-term perf. culture 7. Talent development and retention

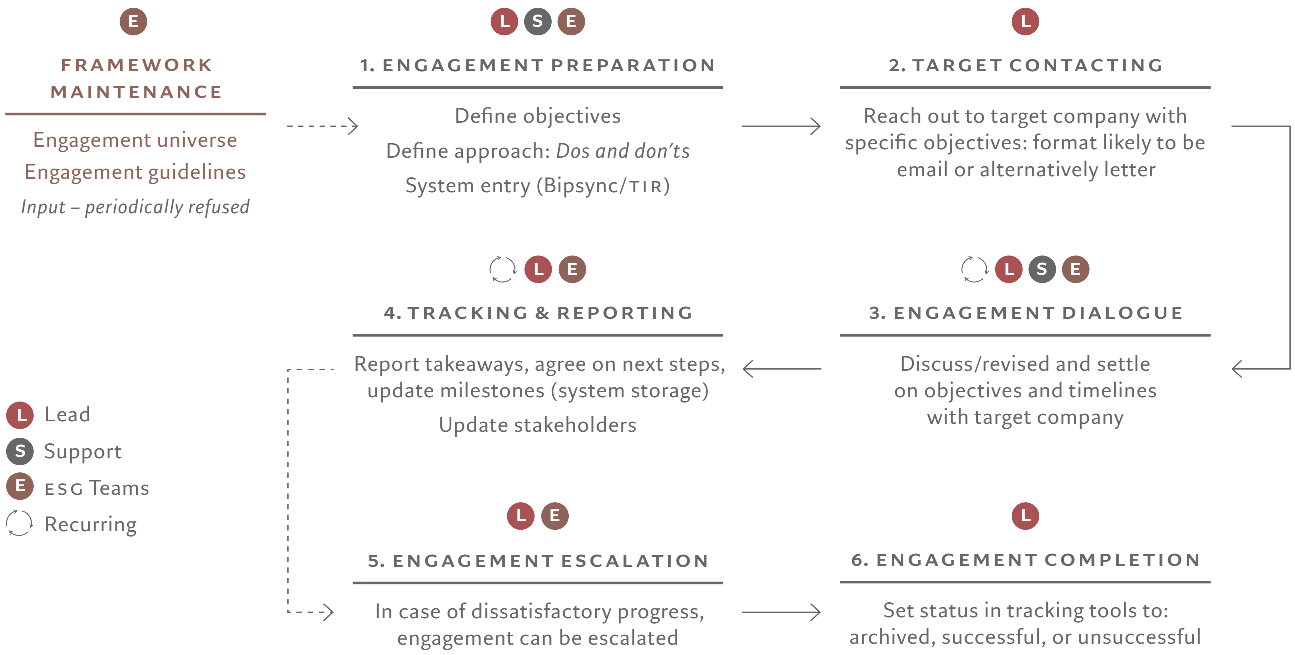
High ESG risk activities

ENERGY	WEAPONS	FOOD & HEALTH	OTHERS
Thermal coal – extraction	Controversial weapons	Tobacco production	Adult entertainment
Thermal coal – power generation	Small arms civilian customers	GMOs development & growth	Gambling
Oil & gas – arctic drilling/oil sands/fracking	Small arms law enforcement & key components	Pesticides retail & production	
Oil & gas – production	Military contracting weapons		
Nuclear power generation	Military contracting related products		

ENGAGEMENT PROCESS

Although investment teams regularly engage on relevant specific ESG subjects with any company they are invested in, we have built a Group-level process ensuring consistent engagement activities for the most material investments and topics. This includes:

- Companies we are most likely to positively influence given the size of our holdings
- Companies involved in severe controversies (UN Global Compact Violations) and/or in high-risk industries/activities (Fossil Fuels, Tobacco, Pesticides, etc.)
- Companies with potential for improvement but lagging on one of four key ESG themes: climate change, water, nutrition and long-term value creation.



Roles & responsibilities

Engaging with companies means representing Pictet Wealth Management on some of the most important issues facing society. Respective analyst and portfolio managers , advised by the ESG team , are responsible for leading ESG engagement activities and ensure that the engagement agenda is being followed.

They are responsible for the prioritisation of objectives and managing progress against each of them through the full lifecycle of the engagement dialogue.

> "Respective analysts and portfolio managers, together with the ESG team are responsible for leading ESG engagement activities."

The key success factor lies in driving the conversation with the targeted companies by leveraging the right data & information. Companies must be provided with revealing facts & figures (and ideally best practices from peers) to consider.

Finally, the engagement dialogue – either successful or unsuccessful- allows analysts and portfolio managers to enrich the overall investment case.

Objective setting

To lead successful engagement dialogues, PWM's engagement activities target SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) objectives:

- *Specific* – Company, context, and issue-specific.
- *Measurable* – Progress towards their achievement is quantifiable and tracked through pre-defined milestones.
- *Achievable* – Execution is made possible based on current resources and objectives align with current industry standards.
- *Relevant* – Alignment with strategic goals/targets, priorities, and/or key risks already identified at company-level.
- *Time-bound* – Attainable within an agreed upon time horizon.

Reporting & tracking
At Pictet Wealth Management, engagement activities are monitored using an internally developed tool that allows for the documentation and tracking of engagement activities across companies and issues.

The progress of individual engagement cases is tracked across milestones, guiding the status of each dialogue. Status and milestones are displayed on each engagement cases' timeline, as well as all interactions with company representatives, which can be of various types.

Finally, the tool allows for the definition, justification, and monitoring of an escalation strategy, where deemed necessary. The escalation strategy includes a large variety of action items, including for example public communication and shareholder activism.

ENGAGEMENT GUIDELINES

The engagement guidelines provide guidance on Pictet's requirements on priority issues, as well as industry standards and best practices on targeted issues & opportunities.

The guidelines operate across 4 pillars, here below a non-exhaustive selection of key drivers:

Strategy and Risk Management
Commitments, policies, and disclosures required to address long term risks & opportunities.

For climate, it covers the scope and legitimacy of carbon-reduction targets, their audit by a third-party organisation, and their disclosure.

For Energy, it includes setting timelines for the phase-out of coal-related activities, aligned with Pictet's Climate Action Plan.

Effective Governance
Oversight, responsibilities, and procedures required to ensure accountability from companies' leadership.

Across all themes and activities, it includes linking executive remuneration to the delivery of the strategy and targets i.e., ESG component of remuneration plans.

For Deforestation & Biodiversity, it covers assigning oversight of a company's deforestation commitment at Board level.

Responsible Lobbying

Policies and guidelines required to address the risks & opportunities related to lobbying activities.

Across all themes and activities, it covers the adoption of a responsible lobbying policy that clearly sets principles on governance, accountability, due diligence, and transparency of lobbying and other corporate political activities.

For Food & Health, it includes setting policies and guidelines on how to support organisations and initiatives addressing the environmental and human impact of pesticides and GMO products, tobacco production & consumption.

Transparency and Disclosure

Annual disclosure on performance and progress, including KPI-specific information and using recognised frameworks where possible.

For climate, it covers following the Task Force on Climate-related Financial Disclosures recommendations and Capital Expenditure plans dedicated to green innovation/product development.

For Food & Health, it includes implementing a firm-wide (including suppliers) traceability and labelling standards designed to inform end consumers.

2022 ENGAGEMENT ACTIVITIES

We engage with corporate issuers through a combination of targeted direct conversations and collaborative initiatives.

Targeted Engagement

Targeted engagement led by Pictet Wealth Management entails one-on-one regular company dialogue as we seek to become strategic partners of the companies in which we invest. The frequency of interactions varies depending on the status of each engagement, the availability of company representatives and their willingness to engage. Interaction occurs at least twice a year for each issuer and typically involves a combination of face-to-face meetings, videoconferences, telephone calls and written communication.

During the course of 2022, our equity and credit analysts continued to regular interact with a number of companies. This included several specific ESG focused engagement conversations. Please find below two examples of companies that PWM engaged with.

Food & Beverage company

We had the opportunity to structure an engagement dialogue across several interactions with a Europe-based food & beverage company. Our dialogue focused primarily on long term performance culture & value creation, specifically the transparency of ESG-linked incentives of their executive committee, which was upgraded to 20% of the long-term incentive plan. The company is lagging compared to peers and we advocated for alignment with best practices at industry level rather than referencing to disclosure practices at country-level practices. Board representatives ensured us that the topic will be addressed by mid-year 2023.

Our follow-up request addressed linking ESG incentives to the company's net zero roadmap, disclosed a few years prior. In this regard, we advocated for the quantification of Greenhouse Gas Emissions saving potential through the regenerative agriculture program & investments implemented by the company.

"Targeted engagement led by Pictet Wealth Management entails one-on-one regular company dialogue as we seek to become strategic partners of the companies in which we invest."

Luxury Goods company

A dedicated ESG conference gave us the opportunity to initiate engagement with a Europe-based Luxury goods company. Our primary focus was on suppliers, talent attraction & retention, as well as employee turnover and training. The company has identified human capital as a highly financial material ESG factor and we advocated for additional disclosure on the related KPIs, including audit results and the monitoring of the factors driving both employee and client satisfaction.

Our second point of focus was on raw materials and circularity, specifically for leather and the optimisation of interdependencies with the agri-food industry. Our objectives included assessing how recyclability rate could be increased, as well as reduction in waste generation. Our enquiries on that issue also included the management of inventories to avoid product destruction, the extend of repair programs, and the systematic use of left over materials.

COLLABORATIVE ENGAGEMENT

Taking part in collaborative engagement with other investors forms the second tier of our approach. We recognise that there are occasions when it is better to act collectively rather than individually – collaboration can enhance our influence, build our expertise, and improve efficiency of the engagement process.

Collaborative engagement is reviewed on a case-by-case basis by the ESG team (in conjunction with relevant investment teams) to ensure objectives are aligned with our own. Before committing to any new investor collaboration, we assess the relevance of the initiative to the GEF themes and other topics, the method of engagement, the credibility of associated partners and any regulatory implications, including acting in concert.

Here below are a few details on the outcomes of some of the initiatives:

Climate Action 100+

During its first 5-year phase, which culminated in 2022, this collaboration played a significant role in accelerating the transition to net zero. It has secured a number of ground-breaking commitments from targeted companies: 75 per cent of companies now have net zero commitments, 92 per cent have some level of board oversight, and 91 per cent have aligned with TCFD recommendations. However, much remains to be done for companies to progress further on their climate transition efforts. The initiative's own Net Zero Company Benchmark shows that less than 12 per cent of the targeted companies have adequate short- and medium-term decarbonisation strategies. Moreover, no company has fully aligned their capital expenditure commitments with a 1.5° C future. We look forward to actively participate in the next phase of this collaboration to helping achieve its goals.

ATNI-Investors in Nutrition and Health

Investors have met 22 of the 25 companies targeted since the collaboration started in 2021. We have already started to see positive change happen in some of the companies, including Danone, Grupo Bimbo, Nestlé and Unilever, in areas such as product reformulation, transparency, marketing and governance. The engagement officially closes in Q1 2023 and ATNI will publish an outcomes and impact report later in the year.

FAIRR – Working Conditions in the Meat Supply Chain

The engagement has made great strides since it was launched back in 2021 to bring more companies to the table and deepen the dialogue with them. We have seen progress by some of the targeted companies in some areas. Tyson Foods, for example, has acted on learnings from the pandemic by implementing a permanent sick pay policy, and has markedly improved disclosure in areas like grievance mechanisms and worker representation. However, significant gaps remain in companies' practices. We look forward to continuing to work with FAIRR, partner investors, and companies as this initiative moves into its next phase.

FAIRR – Sustainable Proteins

After six years, this engagement collaboration has seen progress in the diversification of product portfolios towards more sustainable options. In 2022:

- 35 per cent of the 23 engagement companies have committed to increasing the volume or sales of meat and/or dairy alternatives – up from 28 per cent in 2021 and 0% in 2019.
- 39 per cent of engagement companies reported at least one metric showcasing how their product portfolio is shifting-up from 32 per cent in 2021 and 0 per cent in 2019.

Despite the progress, its pace is insufficient to achieve the systemic change required. Investors would like to see companies advance by setting Science Based Targets initiative (SBTi) approved targets that cover all three emissions scopes (and linking net zero goals to portfolio diversification), developing consumer engagement strategies, and conducting climate scenario analysis.

Appendix A: 2022 PWM Proxy Voting Universe – 91 Companies

COUNTRY	AGM DATE
China	
Alibaba Group Holding Limited	30.09.2022
Tencent Holdings Limited	18.05.2022
Denmark	
Chr. Hansen Holding A/S	23.11.2022
SimCorp A/S	21.04.2022
France	
Danone SA	26.04.2022
EssilorLuxottica SA	25.05.2022
LVMH Moet Hennessy Louis Vuitton SE	21.04.2022
Sanofi	03.05.2022
Thales SA	11.05.2022
TotalEnergies SE	25.05.2022
Germany	
MTU Aero Engines AG	05.05.2022
Rational AG	04.05.2022
SAP SE	18.05.2022
Hong Kong	
AIA Group Limited	19.05.2022
Ireland	
Linde Plc	25.07.2022
Medtronic Plc	08.12.2022
Israel	
Teva Pharmaceutical Industries Limited	23.06.2022
Italy	
Carel Industries SpA	22.04.2022
South Korea	
Samsung Electronics Co., Ltd.	16.03.2022
Sweden	
AAK AB	18.05.2022
Hexagon AB	19.04.2022
Sectra AB	08.09.2022
Switzerland	
ABB Ltd.	24.03.2022
Chocoladefabriken Lindt & Spruengli AG	28.04.2022
Compagnie Financiere Richemont SA	07.09.2022
dormakaba Holding AG	11.10.2022
Givaudan SA	24.03.2022

COUNTRY	AGM DATE
Holcim Ltd.	04.05.2022
Lonza Group AG	05.05.2022
Nestle SA	07.04.2022
Novartis AG	04.03.2022
SGS SA	29.03.2022
Taiwan	
Taiwan Semiconductor Manufacturing Co. Ltd	08.06.2022
United Kingdom	
AstraZeneca Plc	29.04.2022
BP Plc	12.04.2022
Compass Group Plc	03.02.2022
Diageo Plc	06.10.2022
Reckitt Benckiser Group Plc	20.05.2022
Rio Tinto Plc	08.04.2022
Unilever Plc	04.05.2022
US	
3M Company	10.05.2022
Abbott Laboratories	29.04.2022
Adobe Inc.	14.04.2022
Advanced Micro Devices, Inc.	18.05.2022
Align Technology, Inc.	18.05.2022
Alphabet Inc.	01.06.2022
Amazon.com, Inc.	25.05.2022
AMETEK, Inc.	05.05.2022
Apple Inc.	04.03.2022
Bank of America Corporation	26.04.2022
Baxter International Inc.	03.05.2022
Booking Holdings Inc.	09.06.2022
Colgate-Palmolive Company	06.05.2022
Costco Wholesale Corporation	20.01.2022
Danaher Corporation	10.05.2022
Electronic Arts Inc.	11.08.2022
EOG Resources, Inc.	20.04.2022
Exact Sciences Corporation	09.06.2022
Fidelity National Info. Services, Inc.	25.05.2022
Honeywell International Inc.	25.04.2022
IDEXX Laboratories, Inc.	11.05.2022
Intercontinental Exchange, Inc.	13.05.2022
Intuitive Surgical, Inc.	28.04.2022
Johnson & Johnson	28.04.2022

COUNTRY	AGM DATE
JPMorgan Chase & Co.	17.05.2022
Mastercard Incorporated	21.06.2022
McDonald's Corporation	26.05.2022
Merck & Co., Inc.	24.05.2022
Meta Platforms, Inc.	25.05.2022
Microsoft Corporation	13.12.2022
Mondelez International, Inc.	18.05.2022
Moody's Corporation	26.04.2022
NIKE, Inc.	09.09.2022
Otis Worldwide Corporation	19.05.2022
PepsiCo, Inc.	04.05.2022
Pinterest, Inc.	26.05.2022
Rollins, Inc.	26.04.2022
Salesforce, Inc.	09.06.2022
Starbucks Corporation	16.03.2022
Texas Instruments Incorporated	28.04.2022
The Estee Lauder Companies Inc.	18.11.2022
The Cooper Companies Inc.	16.03.2022
The Home Depot, Inc.	19.05.2022
The Procter & Gamble Company	11.10.2022
The Walt Disney Company	09.03.2022
Thermo Fisher Scientific Inc.	18.05.2022
UnitedHealth Group Incorporated	06.06.2022
Vertex Pharmaceuticals Incorporated	18.05.2022
Visa Inc.	25.01.2022
Wells Fargo & Company	26.04.2022
Zebra Technologies Corporation	12.05.2022
Zoetis Inc.	19.05.2022

Appendix B: Pictet's Responsible Vision

At Pictet Group level, we have three ambitions before 2025, to lay out our responsible investing vision:

- To significantly reduce the environmental impact of our activities and investments
- To fully integrate ESG factors and active ownership into all investment processes
- To be a leading provider of responsible products and solutions

To achieve these ambitions, we have identified 10 levers of action for conducting our own activities and for managing assets on behalf of our clients.

HOW WE CONDUCT OUR ACTIVITIES

As a firm, responsibility starts with what we do with our own assets.

1. Investing our balance sheet – This includes our corporate treasury as well as seed investments. As we have full control over our balance sheet, we have committed to portfolio decarbonisation and investing in activities that contribute to accelerating the transition to a low-carbon economy.
2. Employee engagement to foster responsibility – Our employees are our most crucial asset and a key amplifier when it comes to sustainability and responsible behaviour. We will continue to engage with our colleagues on sustainability topics and encourage them to be involved in local actions, especially where we have a strong presence.
3. Managing our direct environmental impacts – In our own business activities, we are taking every possible step to cut our carbon footprint by employing the most advanced building technology, reviewing every aspect of our operations and reducing the environmental impacts of our infrastructure and employee mobility.
4. Philanthropy – As the ultimate "risk capital", philanthropy can be an important part of tackling some of the world's most intractable problems. Through our initiatives and supported projects, we seek to stimulate action on environmental and social issues.
5. Advocacy and partnerships – We strive to encourage all our stakeholders and partners to implement sustainability and responsible investment. We have therefore signed the UN Principles for Responsible Investment for all business lines, including our pension fund, and committed to the UN Principles for Responsible Banking.

HOW WE MANAGE CLIENT ASSETS

As an investor, our biggest impact lies in how we manage assets on behalf of our clients.

6. ESG integration into investment processes and risk management – Across research, investment decisions, risk management and advisory services, we will continue to boost the integration of material and emerging environmental, social and governance factors in our evaluation of corporate and sovereign issuers.
7. Responsible products and solutions – We will continue to develop investment strategies that provide capital to companies which help to make a positive impact on society or the environment, as well as to those that have a plan to successfully mitigate the negative externalities of their products, services, operations and supply chains.
8. Active ownership – We will strive to engage with issuers that fall short of our expectations – either directly or through collaborations with other investors. Where necessary, we will escalate to Board representatives, vote against management or support shareholder resolutions. Depending on the severity of the concern and the issuers' capacity or willingness to adopt generally accepted standards of best practice, we may choose to sell the investment.
9. Client disclosure – Where relevant data are available, we will strengthen reporting on the ESG characteristics of client portfolios and the impact of active ownership activities. Where data are missing, we will encourage issuers to report according to international standards.
10. Research and thought leadership – We will use our substantial experience across key environmental and social themes to publish targeted research and help raise awareness and capital for a sustainable transition. We are convinced that these 10 levers of action will make us better investors and corporate citizens and help us play our part in designing a thriving system for future generations.

Glossary of Risks

Derivative and Leverage risks: Investing in derivative instruments or leveraging an investment could potentially lead to a high degree of financial risk. A movement in the price of an underlying security, investment, interest rate or benchmark may result in proportionally larger movement in the price of the derivative instrument or investment and losses may in certain circumstances exceed the cost of the investment. In addition, there is a potential risk of default by a counterparty and the risk that that these products may not be liquid.

Commodity risk: The value of commodity linked instruments may fluctuate substantially due to changes in supply and demand and/or due to political, economic and market events.

Company Specific risk: Company-specific risk (or unsystematic risk) is specific to an individual company. For example, the stock market or the share prices of comparable companies may rise yet certain company-specific news can have a negative influence on the share price. This company-specific news can include negative events such as strikes, management crises and poor annual results as well as positive news such as the winning of a major order, innovative products and a favorable market company may affect the fluctuation in the share price (volatility) and cannot be foreseen.

Concentration risk: identifying the risk in a portfolio arising from a concentration to a single asset, counterparty, sector or country.

Counterparty / issuer risk: Risk to lose part or all of an investment due to insolvency of the issuer of the financial instrument. This risk is particularly relevant for structured products, derivatives and certain ETFS (Exchange traded Funds).

Country risk: Country risk should be considered when investing in a foreign country and in particular in emerging markets. E.g. investment in the shares of a foreign company which is subject to nationalization or the inability to repatriate proceeds of an investment due to capital controls.

Credit and default risk: A decline in the financial health of an issuer of a fixed income security can lead to an inability or unwillingness to repay a bond or meet a contractual obligation (interest or principal repayment). This causes the value of its bonds to fall or become worthless.

Currency/exchange rate risk: Where the reference currency is different from the currency of the investment, foreign exchange rate movements will directly impact (positively or negatively) the value/price or income of the holdings. Funds which try to hedge to a reference currency can mitigate the direct impact of currency movements but cannot completely isolate the indirect effect of foreign exchange movements. When investing in Structured Product, investors may benefit from an embedded hedge of the underlying currency risk called Quanto.

Economic risk: The economic cycle and macroeconomic situation of a country, a region or the global economy can have a significant influence on prices of financial instruments.

Emerging market risk: There is a greater risk associated with emerging markets; liquidity may be less reliable and price volatility may be higher than that experienced in more developed economies which may result in sudden and large falls in value. Emerging markets have less sophisticated rules regarding clearing and settlement of transactions and investors' protection.

High yield bond risk: Portfolio with high exposures to non-investment grade debt instruments (S&P/Moody's Credit Rating: BB+ and below) have a higher exposure to Credit and Default risk.

Inflation risk: Inflation risk should be considered in particular when investing in emerging markets or fixed rate investments. Inflation is defined as the rate at which prices increase in an economy. Inflation may cause a currency to depreciate and reduce the real returns of investments and financial instruments.

Interest rate risk: Changes in interest rates will usually result in the values of bonds and other debt instruments moving in the opposite direction (e.g. a rise in interest rates likely leads to fall in bond prices). The longer the maturity of the bond (which is the time when its principal is due to be reimbursed) the higher the interest rate risk. This is the commonly referred to as duration risk.

Liquidity risk: When market conditions are unusual or a market is characterized by particularly low volumes, the portfolio may encounter difficulties in valuing and/or trading some of its assets. For Funds there might be liquidity constraints where subscriptions and redemptions are not available daily or where lockups apply, meaning that investors are subject to market risk during interim pricing periods and may not be able to access funds on short notice. For Structured Products, liquidity risk could materialize before maturity as investors may have difficulties selling the product on the secondary market. The investor may receive less than his initial investment if the product is sold on the secondary market (in case of unfavorable evolution of the parameters impacting the product market value).

Market risk: Financial instruments are subject to price fluctuation/volatility and to political and economic risks which may have significant impact on the financial instrument/portfolio's performance.

Political risk: Countries where political leadership is either unstable or where it exerts a very strong influence on markets and business practices may be subject to greater volatility. Political risk may include potential for currency controls which would disrupt the financial markets within that country.

Reinvestment risk: The risk that coupons from a bond will not be reinvested at the same interest rate as when the bond was issued. This risk is related to the fluctuations of interest rates, where an increase in interest rates will be positive for the investor and a decrease unfavorable.

Risks linked to costs/charges: All investments incur various charges whether the investment return are positive or negative. When investment return are very low or negative, these charges can significantly impact the overall return.

Smaller Company risk: Securities of smaller companies may be less liquid than larger companies. Securities of smaller companies may be more price volatile and involve greater risk.

Sustainability risk : The risk arising from any environmental, social or governance events or conditions that, were they to occur, could cause a material negative impact on the value of the investment. Specific ESG/sustainability risks will vary for each compartment and asset class, and include but are not limited to the following:

***Climate Transition risk:** The risk posed by the exposure to issuers that may potentially be negatively affected by the transition to a low carbon economy due to their involvement in exploration, production, processing, trading and sale of fossil fuels, or their dependency upon carbon intensive materials, processes, products and services. Transition risk may result from several factors, including rising costs and/or limitation of greenhouse gas emissions, energy-efficiency requirements, reduction in fossil fuel demand or shift to alternative energy sources, due to policy, regulatory, technological and market demand changes. Transition risks may negatively affect the value of investments by impairing assets or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

***Climate Physical risk:** The risk posed by the exposure to issuers that may potentially be negatively affected by the physical impacts of climate change. Physical risk includes acute risks arising from extreme weather events such as storms, floods, droughts, fires or heatwaves, and chronic risks arising from gradual changes in the climate, such as changing rainfall patterns, rising sea levels, ocean acidification, and biodiversity loss. Physical risks may negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

***Environmental risk:** The risk posed by the exposure to issuers that may potentially be affected by environmental degradation and/or depletion of natural resources. Environmental risk may result from air pollution, water pollution, waste generation, depletion of freshwater and marine resources, loss of biodiversity or damages to ecosystems. Environmental risks may negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

***Social risk:** The risk posed by the exposure to issuers that may potentially be negatively affected by social factors such as poor labor standards, human rights violations, damages to public health, data privacy breaches, or increased inequalities. Social risks may negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

***Governance risk:** The risk posed by the exposure to issuers that may potentially be negatively affected by weak governance structures. For companies, governance risk may result from malfunctioning boards, inadequate remuneration structures, abuses of minority shareholders or bondholders' rights, deficient controls, aggressive tax planning and accounting practices, or lack of business ethics. For countries, governance risk may include governmental instability, bribery and corruption, privacy breaches and lack of judicial Independence. Governance risk may negatively affect the value of investments due to poor strategic decisions, conflicts of interest, reputational damages, increased liabilities or loss of investor confidence.

Our investments take into account Sustainability Risks, by integrating in the investment process Environmental Social and Corporate Governance (ESG) factors, based on proprietary and third-party research, to evaluate both investment risks and opportunities. Consequent impacts to the occurrence of Sustainability Risks can be many and varied according to a specific risk, region or asset class. Generally, when a Sustainability Risk occurs for an asset, there will be a negative impact and potentially a partial or total loss of its value. However, the integration of Sustainability Risks analysis should mitigate the impact of such risks on the value of the investments and could help enhance long-term risk adjusted returns for investor. Source: SIX Swiss Exchange

Special Risks in Securities Trading:
Please always refer to the following publication of the Swiss Banking Association

Funds: Before investing, please always read the relevant Fund documentation (e.g. prospectus, simplified prospectus and any available key investor information document ("KIIDS")) containing information about the Fund and its specific risks. These documents can be obtained free of charge upon request.

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